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WASHINGTON POLICY STRATEGY

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A proposed compromise on the Stablecoin yield issue won the general support of the crypto industry, but the banking sector said, “not enough.” We don’t think that the compromise improves the CLARITY Act’s prospects and we continue to believe that it has an approximately 40% chance of passing in 2026.

The Securities and Exchange Commission has proposed new rules that would allow publicly traded companies to file reports with the Commission on a semi-annual basis rather than quarterly. As expected, the switch would be voluntary, and we expect that most companies will continue to issue quarterly reports.

- **Text is out; odds don’t change** – Language that may form the basis of a possible compromise regarding the Stablecoin yield issue was released by Senators Tillis (Republican-North Carolina) and Alsobrooks (Democrat-Maryland). Our initial reaction is that their proposal does not significantly improve the chances of the CLARITY Act passing in 2026. We continue to think that the odds of the bill passing this year are around 40%.
- **Modest changes to the GENIUS Act** – The compromise would limit how exchanges can grant rewards to activity in Stablecoins. This issue arose from the GENIUS Act which was enacted last year. It prohibited Stablecoin issuers from paying interest on the asset. That law, however, was silent on the issue of exchanges granting rewards (which could look like interest payments). The Tillis/Alsobrooks proposal would allow “activity-based” or “transaction-based” rewards and incentives tied to “bona fide” platform uses.
 - **Not enough for the banking industry** – The proposal would remove some of the ambiguity created under the GENIUS Act, but the banks have issued a statement that the proposal does not go far enough. In the view of the industry, there could still be ways to circumvent the law.
- **What’s next?** The Banking Committee could mark up the bill in mid-May. If the committee approves the bill on a party-line vote, then it would signal the bill’s chances of passing are low. Some of the crypto names that rallied on Monday’s news (the release of the compromise) might then sell off.
 - In order to reach the necessary 60 votes on the Senate floor, at least seven Democrats would need to vote for the bill. This seems doable but unlikely.
 - In addition to the Stablecoin issue, there are other matters that could present challenges to passing the bill. These include the DeFi provisions, the ethics rules, and getting Democrats confirmed to the vacant seats at the SEC and Commodity Futures Trading Commission.
 - Despite these challenges, we still rate the bill’s chances of passing in 2026 around 40%. The crypto industry has significant political muscle and campaign dollars that cannot be easily dismissed. It punches above its weight. In addition, while older Democrats will probably oppose the bill no matter what, younger Democrats are more “gettable,” and they might eventually support the CLARITY Act. For these reasons, despite our skepticism of the bill’s chances of passing, we continue to think there is a possibility that it could pass in 2026.

- **SEC's new flexibility on reporting requirements** – The Securities and Exchange Commission has proposed a new semi-annual reporting requirement for public companies. This proposal comes in response to an executive order that President Trump issued in 2025. Semi-annual reporting would be the minimum, and issuers would have the option to continue issuing quarterly reports. This has been the requirement for the past 55 years. We expect that most publicly traded firms will stick with issuing quarterly reports. We expect that the SEC will finalize the proposal in late 2026 or early 2027. To give firms time to prepare for the new schedule, it would likely become effective in 2028 or 2029.

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